

# 2014 SUSTAINABILITY REPORT



# QATAR GAS TRANSPORT COMPANY LTD. (NAKILAT) Q. S. C.

*A Qatari Shareholding Company*

## **CAPITAL OF THE COMPANY**

The authorized capital of the Company amounts to QR 5,600,000,000 (five billion and six hundred million Qatari Riyals) divided into 560,000,000 (five hundred and sixty million) shares.

## **NOMINAL VALUE OF THE STOCK**

QR 10 (Ten Qatari Riyals)

## **HEADQUARTERS OF THE COMPANY**

The headquarters and registered office of the Company are in the city of Doha, State of Qatar.

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## OUR APPROACH TO SUSTAINABILITY

Nakilat's comprehensive and expanding marine capabilities support Qatar's strong position in shipping, ship building and repair, and marine services internationally. The 'floating pipeline' of Nakilat's gas-carrying fleet is essential to Qatar's energy strategy, while a critical aim of Nakilat's development of the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard is the diversification of Qatar's economy and a sustainable future for the country.

The following limitations apply with regard to the scope of this report:

- Our contractors', suppliers' and clients' data are not included in this report unless otherwise stated; and
- Environmental and safety data does not cover all JVs and partners.

### External Reporting Standards

Nakilat recognizes the importance of external sustainability reporting standards to promote relevant, transparent and comparable disclosure of company performance. We use the Global Reporting Initiative's G3 Guidelines as our standard reporting framework.



By maintaining the safety and reliability of its record-breaking fleet, and by continuing to expand and strengthen Qatar's marine industry capabilities, Nakilat is making a firm commitment to the sustainable development of Qatar. Our company proudly contributes to the solidity of the bedrock gas industry upon which Qatar's economy has established itself. At the same time, we are helping revenue streams beyond traditional incomes flourish. And all our activities are underlined by our commitment, as per our company mission and vision statements, to:

- Governance and Strengths
- Ethics and Compliance
- Employees and Human Development
- Environment, Health and Safety
- Community Support
- Economic Impacts



## GOVERNANCE

### OUR VISION

To be the world's leading owner and operator of vessels for the transportation of liquefied natural gas (LNG) and associated products, and to be the provider-of-choice for ship repair and construction services, as measured by customer satisfaction; financial profitability; growth; operational efficiency; and high standards of safety, health, environment and quality.

### OUR MISSION

**To maximize shareholder value by**

Optimizing investment in core businesses of transporting LNG and associated products through stringent cost controls, effective risk management and innovative financing.



Establishing "centers of excellence" for the repair and maintenance of very large LNG carriers and other vessels, and for the construction of small, high value ships, thereby providing assets for the State of Qatar.



Providing a fully integrated logistics service to vessels.



Identifying and capturing synergies.



Recruiting, developing and retaining the highest quality personnel in the industry.



Complying fully with all applicable legislation, regulations and relevant marine industry standards.



Demonstrating the highest ethical standards for integrity in all business relationships.

## SAFETY, HEALTH, ENVIRONMENT AND QUALITY POLICY

**At Nakilat, we value our people, partners, shareholders, customers, suppliers, community and the environment. We believe in and are committed to establishing a world-class company by**

Placing Safety, Health, Environment and Quality (SHEQ) at the top of our agenda, with the aim of causing no harm to people and the environment.



Setting targets for Safety, Health, Environment and Quality improvement, and measure, appraise and report SHEQ performance to drive continual improvement.



Providing adequate resources and leadership to effectively implement the company SHEQ management system and achieve SHEQ objectives.



Maintain the highest level of integrity with all stakeholders.



Treating employees, partners and customers with respect and dignity.



Encouraging teamwork and collaboration in order to support the achievement of our mission goals.



Recognizing and rewarding accomplishments.



Striving to be innovative and continually improve performance, by sharing best practices and implementation of lessons learnt.



Encouraging entrepreneurship and empowering individuals to lead and take responsibility.



Openly communicating and sharing related information within the corporation.



Complying with applicable Safety, Health, Environment, Quality, Legal and other requirements related to our activities.

## 2013 ACTIVITY OVERVIEW



As the State of Qatar remains unchallenged in its position as the world's largest exporter of liquefied natural gas (LNG), Nakilat continues to transport this energy to destinations around the globe via its fleet of LNG vessels, which represent approximately 15 per cent of the world's marine LNG-carrying capacity.

Nakilat completed its first full year of technically operating and managing the four very large liquefied petroleum gas (LPG) carriers jointly owned with Milaha, further cementing Nakilat and with it the State of Qatar as a well-rounded marine industry operator.

Key to the success of Nakilat and of the essential role the company plays in the State of Qatar's energy infrastructure is the company's business, operational and financial strength.

Nakilat's sound and reliable financial structure and business model was revalidated with the reaffirmation of Nakilat's ratings by the major ratings agencies. Standard & Poor's and Moody's rate the Nakilat Inc. senior debt as AA- and Aa3. Both Standard & Poor's and Moody's rate Nakilat Inc. only one notch below the State of Qatar which is rated as AA and Aa2 respectively. The Fitch rating agency also rates Nakilat Inc.'s senior debt as A+. All Nakilat's ratings stated above were reaffirmed with a stable outlook in 2013.

The financing agreements achieved by Nakilat are also testament to the company's firm foundations. Nakilat successfully arranged US \$917 million in refinancing with Qatar National Bank for its wholly owned subsidiary Nakilat Inc. while refinancing another US \$1.33 billion for the joint venture Maran Nakilat Co. Ltd. The strength of business at Qatar Petroleum-owned and Nakilat-developed and -operated Erhama Bin Jaber Al Jalahma Shipyard made financing of those ventures possible. In December 2013, Nakilat successfully arranged a US \$160 million bank financing for its shipyard joint ventures, ship repair yard Nakilat-Keppel Offshore & Marine (N-KOM) and shipbuilder Nakilat Damen Shipyards Qatar (NDSQ), with Al Khaliji Bank.

Steady and consistent execution of Nakilat's business strategy continues to contribute strong returns to its shareholders. As of 31 December 2013, Nakilat's total assets, including Nakilat's share of its joint ventures' assets, was over QR 44 billion, compared with QR 27.6 billion projected in its IPO prospectus. In addition, Nakilat also has an economic interest and full operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan, giving a total assets value of QR 54.6 billion managed by Nakilat.

Nakilat net profit reached QR 730 million for 2013.

Indeed, 2013 was full of positive developments for Erhama Bin Jaber Al Jalahma Shipyard. At the beginning of the year HE the Minister of Energy and Industry Dr. Mohammed Bin Saleh Al Sada inaugurated and named the shipyard's landmark project, the 140m-long load-out and recovery (LOR) barge Al Ghatroushah, the largest vessel of its kind ever to have been built in the State of Qatar. Al Ghatroushah now serves as part of Erhama Bin Jaber Al Jalahma Shipyard's infrastructure, adding to the capabilities of what is indisputably one of the largest and most technically-advanced shipyards in the region.

Development of Erhama Bin Jaber Al Jalahma Shipyard continues to advance, with the addition of floating docks planned for 2015.

Business at Nakilat's shipyard joint ventures was also on an upward trend throughout 2013. N-KOM celebrated completion of its 200th project since the shipyard's inauguration in 2010 and passed the milestone of over 18,500 tonnes of fabrication work completed since 2011. For the second consecutive year N-KOM received the Ship Repair / Shipyard Award at the Seatrade Middle East and Indian Subcontinent Awards. The company was also awarded an important contract by Technip for work on a significant offshore project for the ultimate benefit of Qatar Petroleum.

In the same year, NDSQ signed a landmark order for construction of a 69m-long fast luxury vessel, to be built entirely in Qatar, as well as a contract for the construction of an additional seven workboats for use by fellow Nakilat joint venture entity Nakilat SvitserWijsmuller (NSW) at the Port of Ras Laffan. At the same time the company continued work on the 19-vessel order for the Port of Mesaieed, delivering 10 of these workboats in 2013, while NDSQ's state-of-the-art Superyacht Hall was also well utilized in 2013, with a total of seven megayacht refit projects completed by NDSQ in 2013.

For the bold vision of the State of Qatar's firmly established and continuously advancing marine industry, and for Nakilat's essential role within this sector, Nakilat's Board of Directors expresses its sincerest thanks and appreciation to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and to HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar. The prudent leadership, wise guidance and continuous support of HH the Emir and of HH the Father Emir has allowed Nakilat and with it the State of Qatar's marine industry to grow and diversify to the great advancement of this nation and with the intention of bringing sustainable benefits to our future generations.

Nakilat's Board of Directors also extends its gratitude to Qatar Petroleum for the invaluable support of Nakilat's activities, and to Ras Laffan Industrial City for the crucial assistance provided to Erhama Bin Jaber Al Jalahma Shipyard. The Board of Directors would also like to thank Nakilat's partners, shareholders, management and employees for their cooperation and commitment, without which our company's continued success would not be possible.

## MANAGING DIRECTOR'S MESSAGE

Since its inception in 2004 and during each year of operation, Nakilat has broken new ground for the shipping and marine industries in the State of Qatar. 2013 has been no exception to this trend of continued growth and advancement.

In November 2013, we were deeply honored to welcome HE Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, Prime Minister and Interior Minister of the State of Qatar, together with HE Ahmad Bin Abdullah Al-Mahmoud, Deputy Prime Minister, and HE Saleh Mohammad Al-Nabit, Minister of Development Planning and Statistics, to Erhama Bin Jaber Al Jalahma Shipyard for a tour of the shipyard's world-class facilities. During the visit we were able to share with Their Excellencies firsthand the ongoing developments at the shipyard and an update of our activities. We sincerely appreciate the visit from Their Excellencies to the shipyard and the strong interest in our operations.

In addition to the expansion of its fleet and the ongoing success of the shipyard, Nakilat's firm commitment to providing a well-rounded offering of marine services in Qatari waters has been augmented by developments with our port-based businesses, Nakilat SvitserWijsmuller (NSW) and Nakilat Agency Company (NAC). Qatar Petroleum has chosen NSW to operate an additional seven vessels at the Port of Ras Laffan and NSW has placed a build order for these new vessels with our shipbuilding joint venture NDSQ. Meanwhile NAC has taken over the agency operations for all hydrocarbon vessels at Mesaieed Industrial City from 1 September 2013.

Our company's commitment to the continued expansion of its marine services offering and to the ongoing strengthening of the State of Qatar's marine industry, with particular emphasis on activities at Erhama Bin Jaber Al Jalahma Shipyard, is a clear expression of Nakilat's firm support of the Qatar National Vision 2030 and to the sustainable development of our country through diversification of our economy and through carefully directed growth.

This commitment to sustainable development expands beyond our business activities and into the culture of our organization, filtering down through all our departments to the grass roots of our day-to-day operations.

To illustrate the priority placed upon these important values at every level of operations at Nakilat and its joint venture companies, we have provided details in this Annual Report of our achievements pertaining to our commitment to safety, health, the environment, quality and the sustainability of our operations, particularly in the context of the development goals of the State of Qatar as a whole.

High on our list of such achievements in 2013 is Nakilat's contribution to the Annual Sustainable Development Industry Report (SDIR) for the third consecutive year. Overseen by HE Dr. Mohammed Bin Saleh Al Sada, the SDIR helps align the State of Qatar's Energy and Industry sector with the long-term goals of the country. As outlined in documents such as the Qatar National Vision 2030, which was developed under the wise direction of HH Sheikh Tamim Bin Hamad Al-Thani, the Emir of the State of Qatar.

Key to the sustainable development of Nakilat and of the State of Qatar is the employment and professional development of Qatari nationals. In this regard, Nakilat is particularly proud of its Marine Cadet Program, which celebrated its second year of operation in 2013. The program allows young Qatari nationals to train for careers in shipping, both aboard Nakilat's vessels and ashore, thus enhancing the Qatarization of Nakilat's workforce and, for these talented young people, helping to lay the foundations for dynamic careers in the State of Qatar's marine industry.



We are equally proud of our accomplishments related to safety, health and the environment in 2013. Our LNG and LPG fleets achieved Lost Time Injury Frequencies and Total Recordable Case Frequencies below the industry averages for 2013, while regular drills involving international cooperation maintain our resources in a constant state of emergency preparedness. For our employees at our office locations in Doha and Ras Laffan, we organized a range of events and materials highlighting important issues related to both safety at work and in the home, and to health.

Awareness campaigns on topics such as cancer and diabetes were held for our staff across our two office locations and environmental initiatives such as N-KOM's beach clean-up activate our employees' enthusiasm for caring for their natural surroundings here in the State of Qatar.

Our employees are also directly involved, both through participation in internal and external audits and through compliance, in maintaining and obtaining internationally recognized certification in the fields of health, safety, the environment and quality. Nakilat received certification for the management of quality, occupational health and safety, and the environment - ISO 9001, OHSAS 18001 and ISO 14001 respectively - with the shipyard joint ventures NDSQ and N-KOM joining Nakilat in these achievements.

### Financial Results Highlights for the Year Ended 31 December 2013

Total 2013 profit from operations was QR 755.7 million compared with QR 746.5million for 2012. 2013 net profit after loss on derivative instruments from a joint venture was QR 730.0 million compared with QR 766.0 million after gain on derivative instrument from a joint venture for 2012. The loss on derivative instruments of QR 25.7 million for 2013, compared with QR 19.5 million gain on derivative instruments for 2012, was due to a technical disqualification (for accounting purposes) of the applicable derivatives (carried in the books of the company's overseas joint venture) as hedging instruments in accordance with International Accounting Standard 39. The change in the accounting treatment is only a noncash accounting transaction and does not affect the economics of the derivative transactions nor the cash flows or liquidity of the company. Nakilat and its joint ventures are exposed to interest rate risks on borrowed funds. The risks are managed by the use of interest rate swap contracts, which will protect the company from increases in interest rates in the future. The majority of Nakilat and its joint ventures borrowings were obtained at the time the company's time charter party agreements were signed with our charterers.



Total Assets of Nakilat as of 31 December 2013 was QR 30.7 billion compared to QR 30.9 billion as of 31 December 2012, reflecting a reduction primarily to the depreciation of property and equipment. Current assets, including cash and bank balances stood at QR 2.2 billion as of 31 December 2013. Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR 28.5 billion as of 31 December 2013. As of 31 December 2013, total assets of Nakilat, including Nakilat's share of its joint ventures assets was over QR 44 billion, compared with QR 27.6 billion projected in its IPO prospectus. In addition, Nakilat also has an economic interest and full operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan, giving a total assets value of QR 54.6 billion managed by Nakilat.

Total borrowing as of 31 December 2013 was QR 23.1 billion compared to QR 23.9 billion as of 31 December 2012 reflecting repayments of the borrowings.

Total equity before hedging reserve and non-controlling interests as of 31 December 2013 was QR 7.8 billion compared to QR 7.6 billion as of 31 December 2012. Negative hedging reserve as of 31 December 2013 decreased at QR 3.4 billion compared to QR 5.8 billion as of 31 December 2012 due primarily to a decrease in the year end mark to market value resulting a reduction in the liability that reflects reduced swap rates.

The negative hedging reserve represents an accounting transaction from the revaluation to fair value of interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amounts of the swaps decrease. The hedging reserve is not expected to impact either income statement or retained earnings. The negative hedging reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build ships. The company also enters into long-term time charter agreements to lock-in the future cash inflows from ships. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

For the prudent and inspired leadership that has enabled us to complete the accomplishments celebrated in this Annual Report we express our deepest gratitude to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, whose sage guidance has allowed Nakilat's operations and the State of Qatar's marine industry to flourish. We are also sincerely thankful for the generous support and invaluable direction of HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar.

We would also like to express our profound appreciation of HE Dr. Mohammed Bin Saleh Al Sada for his strong support of all Nakilat's activities and for his expert supervision of the State of Qatar's marine industry. We also take this opportunity to thank Nakilat's Board of Directors for their excellent oversight of our company.

We are grateful to our charterers, Qatargas and RasGas, for their continued support. We are also thankful for the contribution made to our activities by the management and employees of Qatar Petroleum and to Ras Laffan Industrial City for their valuable efforts towards the operations of Erhama Bin Jaber Al Jalahma Shipyard.

Our appreciation also extends to our former Managing Director, Mr. Muhammad Ghannam, as well as our shareholders, partners and employees, who all helped make Nakilat's achievements and ongoing development possible.

**Eng. Abdullah Fadhalah Al Sulaiti**  
Managing Director of Nakilat



# STRENGTHS

## PART OF THE QATARI LNG VALUE CHAIN

Qatar is the world's single largest supplier of LNG: it is the world's leading LNG exporter (source: US Energy Information Administration). The State of Qatar liquefies 77 million tons per annum of LNG from the North Field gas reserve. Under the auspices of Qatar Petroleum and through its Qatargas and RasGas operations, the LNG produced in the State of Qatar is sold to customers around the world typically via long-term contracts, which provides stable revenues. The entire value chain enjoys strong sponsorship from the State of Qatar.

Nakilat provides the essential transportation link in this value chain.

## LONG-TERM STABILITY

The State of Qatar's LNG sales are on long-term contracts in multiple markets throughout the world and Qatari ventures have ownership interest or long-term contracted capacity in regasification terminals in selected key markets.

Nakilat's revenues are stable due to the majority of our vessels being chartered on 25-year, fixed-rate time charters with Qatargas and RasGas.

## SOLID CREDIT RATINGS

The two major credit rating agencies, Standard & Poor's and Moody's, rate the Nakilat Inc. senior debt as AA- and Aa3 and the Nakilat Inc. subordinated debt as A+ and A1 respectively. Both Standard & Poor's and Moody's rate Nakilat Inc. only one notch below the State of Qatar which is rated as AA and Aa2 respectively.

Nakilat Inc. continues to be rated by the agencies as highly as any non-governmental entity in the State of Qatar could be rated. This is indicative of the company's very low credit risk, its very strong capacity to meet financial commitments and high credit quality. The Fitch rating agency also rates Nakilat Inc.'s senior debt as A+ and its subordinated debt as A-. All Nakilat's ratings stated above were reaffirmed with a stable outlook in 2013.

## LOW RISK DEVELOPMENT STRATEGY

Nakilat has established a proven track record with Qatargas, RasGas and Tasweeq in successfully delivering results of ambitious projects via prudent development strategies.

## WORLD-CLASS PARTNERS

A strategic alliance with Shell International Trading and Shipping Company Ltd. (STASCO), a leading international vessel operator with extensive experience in operating gas vessels, currently oversees operations and management of Nakilat's wholly-owned LNG ships.

Nakilat has formed joint ventures with leading ship repairer Keppel Offshore & Marine and with premier shipbuilder Damen Shipyards Group to operate Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan. To offer a full spectrum of marine services in Qatari waters, Nakilat has partnered with Svitzer, a global market leader in towage and emergency response.

## SAFETY, HEALTH, ENVIRONMENT & QUALITY

Nakilat is firmly committed to prioritizing safety, health, the environment and quality in all of its operations and activities. As a Qatari company with a wide international reach, our responsibilities and obligations are many and diverse. By placing care of people and of the environment at the top of our agenda, we are able to fulfil our duties towards our stakeholders and communities both at home and abroad.

## INTERNATIONAL CODES AND STANDARDS

All of Nakilat's vessels comply with the International Safety Management (ISM) code. Nakilat is also certified ISO 9001 for Quality Management, OHSAS 18001 for Occupational Health and Safety, and ISO 14001 for Environmental Management. All ISO and OHSAS certifications are awarded by Lloyd's Register Quality Assurance (LRQA).

## DEDICATED POLICY

Alongside Nakilat's Vision and Mission statements, our company Safety, Health, Environment and Quality (SHEQ) Policy provides a set of priorities and principles to guide our every decision and action as a company. As stated in the policy, our ultimate aims are no harm to people and protection of the environment.

## REGULAR TRAINING, DRILLS & PARTICIPATION

Nakilat participates in a program of routine drills involving collaboration with local and international companies, which helps the company maintain a high level of preparedness in the event of an emergency.

Frequent drills, regular training, and awareness sessions are organized for our employees, covering areas such as fire safety and defensive driving. Nakilat and our joint venture companies are also active participants in initiatives to raise awareness of health, safety and environmental issues in the State of Qatar.

## QUALITY MANAGEMENT

In line with our ISO 9001 certification, internal and external auditors control the quality of Nakilat's operations and management systems through regular audit sessions, carried out by both internal and external auditors.



# ETHICS AND COMPLIANCE



## INTERNAL AUDIT

The Nakilat Internal Audit Function (IA) has been established to ensure that Nakilat operations are conducted according to the highest standards by providing an independent, objective assurance function and making recommendations based on best practice.

The primary objective of the Internal Audit Department (IAD) is to assist the Board of Directors and Management in the discharge of their management and oversight responsibilities through independent audits and reviews designed to evaluate and enhance the effectiveness of risk management, internal control systems, information systems and governance processes within Nakilat. The scope of IA covers all business, operational and support units of Nakilat. The IAD strives to add value to Nakilat's efficiency and effectiveness and aims to be proactive, constructive and cost-effective in making recommendations to the Management.

All activities within Nakilat and its ventures are subject to an internal audit review at least every three years. Special reviews/investigations/consultancy are also conducted by the IA as required by the management. The Audit reports are communicated to the management and the Audit Committee.

## ETHICS AND CONFLICT OF INTEREST

Nakilat's Code of Business Ethics Policy establishes clear rules of conduct in order to avoid conflicts of interest. As a general rule, employees or their immediate families shall not have direct or indirect interest in any entity or business enterprise that has current or prospective dealings with the company.

All employees have to complete and submit annually by 31st March of each year, the annual certification statement to certify they have read and understood the principles of the Code of Business Ethics Policy and that they will comply with these. Nakilat's Ethics and Conflict of Interest Committee is responsible for ensuring application and respect of the Ethics Policy, and for reporting and investigating any case of violation with regard to conflicts of interest.



## EMPLOYEES AND HUMAN DEVELOPMENT

An educated employee population; a healthy and safe workforce - both physically and mentally; highly motivated employees.

- Nakilat celebrated the achievements of its first Qatari Marine Cadets, who joined the program in 2012, and welcomed new Qatari recruits to the program for 2013, with a view to positioning qualified deck officers and marine engineers of Qatari nationality in strategic positions aboard Nakilat's fleet and within the company's operations.
- In 2013, Nakilat's visibility among Qatari students and potential national employees has been enhanced, further raising the company's profile as an employer-of-choice for Qatari nationals. Initiatives included active participation at the Qatar Career Fair and on-campus representation for the communication of career opportunities. The enrolment of 2013's Marine Cadets onto Nakilat's scholarship program was a direct result of the company's program of school visits.
- As part of the development of Nakilat's Qatari employees, external training programs were also implemented.
- Qatari employees participated in 37 professional training programs in 2013, covering subjects such as English, Technical and Soft Skills, and Supervision.
- Nakilat conducted health awareness sessions for all company staff at Nakilat's head office and at Erhama Bin Jaber Al Jalahma Shipyard. The two employee awareness sessions were to improve awareness of the issues surrounding cancer and diabetes. These programs were conducted in cooperation with Hamad Medical Corporation and the Qatar Cancer Society. The sessions provided presentations by subject matter experts, information pamphlets and relevant tests for interested participants. In addition Nakilat also held a blood drive in 2013.
- In November 2013 and as part of the company's commitment to the continuous improvement of staff communications and operations, Nakilat held its first Employee Forum, which was attended by over 200 staff members.
- Nakilat's PR department successfully organized crisis communications training for the senior management of Nakilat and its joint ventures, and trained a team of in-house telephone responders capable of communicating with the media in Arabic and English.
- Nakilat provided training to all staff members in significant SHEQ issues by providing all staff with defensive driving training, SHEQ Awareness sessions and Integrated Management System (IMS) training.

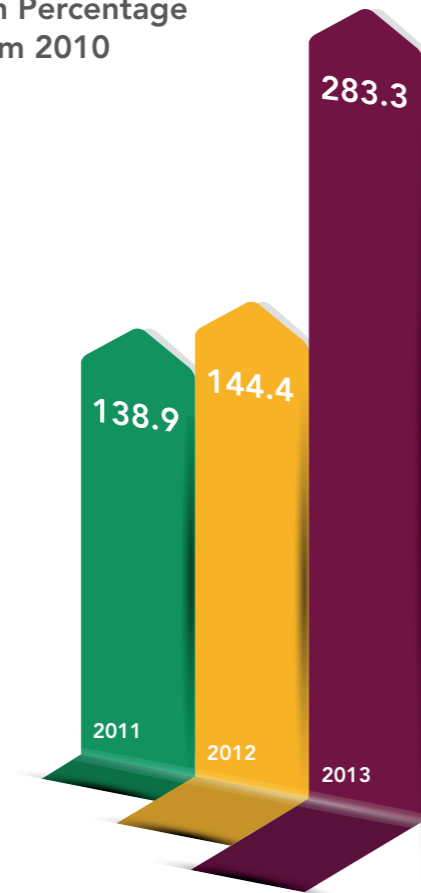


## QATARIZATION

Nakilat's Qatarization program has been developed in support of the State of Qatar's Energy and Industry Sector Strategic Qatarization Plan. Nakilat implemented its Qatarization program in 2010. By year-end 2013 we had increased our Qatari workforce by 283%.

During 2013, and in line with Nakilat's Mission statement to identify and develop quality, competent Qatari employees to assume permanent positions within the industry, we have placed great emphasis on being an employer of choice for Qataris.

Qatarization Percentage Increase from 2010



# ENVIRONMENT, HEALTH AND SAFETY

## PROGRAM OVERVIEW

Nakilat continued its efforts to achieve superior Safety, Health and Environmental (SHE) performance. Continuing from last year Nakilat has established a uniform reporting platform for all Nakilat companies and joint venture interests. Nakilat companies have set stringent SHE targets which are reported against, monitored and assessed frequently. Nakilat and its joint venture companies' SHE performance was favorable compared to the industry average in the industry group sectors.

Nakilat successfully underwent external audits to verify compliance ISO 9001, OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also obtained ISO 14001 certification for Nakilat corporate office and Nakilat Shipping Qatar Limited in November 2013 after a yearlong process of embedding the necessary policies and procedures into the company's management systems.

## ENVIRONMENTAL PERFORMANCE

Environmental performance is an essential element of Nakilat's SHE Management System. It provides the mechanism for checking that environmental policies and corporate targets are being achieved and also enables corrective actions to be focused on areas where they are most needed. It also provides key information on environmental performance to Nakilat's Senior Management, including information on the overall goal of continuous improvement.

All environmental monitoring is undertaken in accordance with Nakilat's SHEQ Manual and Safety Management System (SMS), where applicable.

During the reporting, the following primary activities have been monitored:

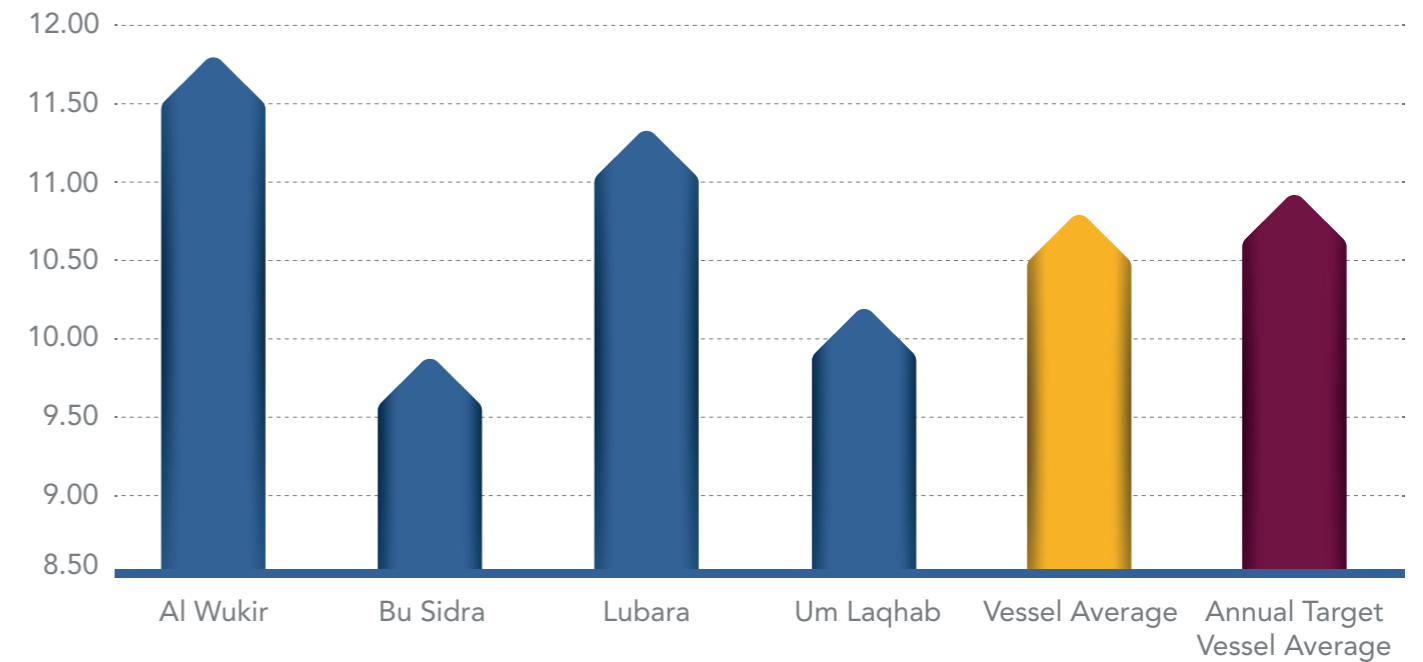
- Vessel fuel consumption, sulphur content and cargo loaded;
- Vessel waste streams;
- Vessel oil usage;
- Ballast water management;
- Vessel energy efficiency;
- Desktop data accuracy; and
- Nakilat office waste streams.

For environmental reporting to be of value, source data must be accurate and collected systematically, including appropriate data analysis procedures. The environmental performance data collected, together with health and safety performance data, will be used to compile the annual SHE Status Report.

In addition to the formal reporting of environmental performance for review/benchmarking purposes, it is widely recognised that reporting on environmental performance has significant benefits, which include:

- Maintaining and enhancing Company reputation;
- Aiding communication with a wide variety of stakeholders (including employees, government regulators, financial institutions, shareholders and the public);
- Reducing environmental risks through improved environmental management; and
- Reducing the use of natural resources and operating costs.

## 2013 CO<sub>2</sub> INDEX



## CARBON DIOXIDE CO<sub>2</sub> INDEX

The fleet average CO<sub>2</sub> index value in 2013 is below the annual target (10.93).

Emissions data reporting remains good. Almost all vessels are fully up-to-date with reporting.

Low values for CO<sub>2</sub> index were achieved on Bu Sidra and Umm Laqhab as they have completed the refit satisfactory.

## CASE STUDY

### QATAR CHAMPIONS LNG AS CLEANER MARINE FUEL

Nakilat and Qatari LNG producers Qatargas and RasGas Company Limited agreed with engine manufacturer MAN Diesel and Turbo to convert a Q-Max vessel to use LNG as an alternative to heavy fuel oil in the main engines.

The proactive initiative reinforces Qatar's commitment toward the environment with plans to convert an existing low-speed diesel LNG carrier to use LNG as fuel thereby reducing the ship's exhaust gas emissions.

Shipyard operator Nakilat-Keppel Offshore & Marine (N-KOM) will complete the ship's conversion at its Erhama Bin Jaber Al Jalahma Shipyard facilities in Qatar's Port of Ras Laffan. The modification will utilize MAN Diesel and Turbo's ME-GI (M-Type Electronically Controlled – Gas Injection) systems as an innovative and flexible technology.

The Q-Max will be the world's first low-speed marine diesel engine to be converted to use LNG as a fuel. The modification will meet current known and future stated global emissions regulations.

The control of greenhouse gas and exhaust gas emissions have a high priority in today's shipping industry. In-step with the emissions regulations, the engine manufacturer, MAN Diesel and Turbo has made technical advancements to the low speed diesel engine to have flexibility to utilize Liquefied Natural Gas (LNG), a cleaner fuel as compared to heavy fuel oil, as an alternative fuel source employing the ME-GI (M-Type Electronically Controlled – Gas Injection) concept. Evaluation of the proposed ME-GI design for the Q-Flex and Q-Max vessels has concluded in a high confidence level with regards to safety and reliability of the propulsion system.

This project is yet another milestone in Qatar's standing as a reliable provider of clean energy to its customers in a safe and environmentally-sensitive manner and further evidence of Qatar's proactive approach to the sustainable development of the country's marine industry. So far the use of LNG as a bunker fuel source in the LNG shipping industry has been applied to conventional steam driven LNG carriers and more recently to Dual or Tri-Fuel Diesel Electric LNG ships with low pressure injected, medium speed four-stroke diesels.

The use of ME-GI as an alternative will allow a cleaner fuel technology with a significant reduction in environmental emissions, cleaner burning engines with potential to increase mean time between maintenance, provide flexibility of fuel supply to react to market changes and reduced bunkering activities which in turn will offer operations and marine risk reduction.



### HEALTH AND SAFETY PERFORMANCE

The Health and Safety of all employees is paramount to our success as a business, and a strategic imperative for our organization. Our initiatives to increase Health and Safety awareness focus on high risk areas and assisting sites and areas of work with the highest rates of injury. Our Target Zero initiative motivates employees to embrace a "zero accidents" mentality.

Our businesses use a standard internal online reporting tool to document and thoroughly investigate injuries and illnesses from start to finish. The tool helps us analyze root causes and take corrective actions to prevent recurrence.

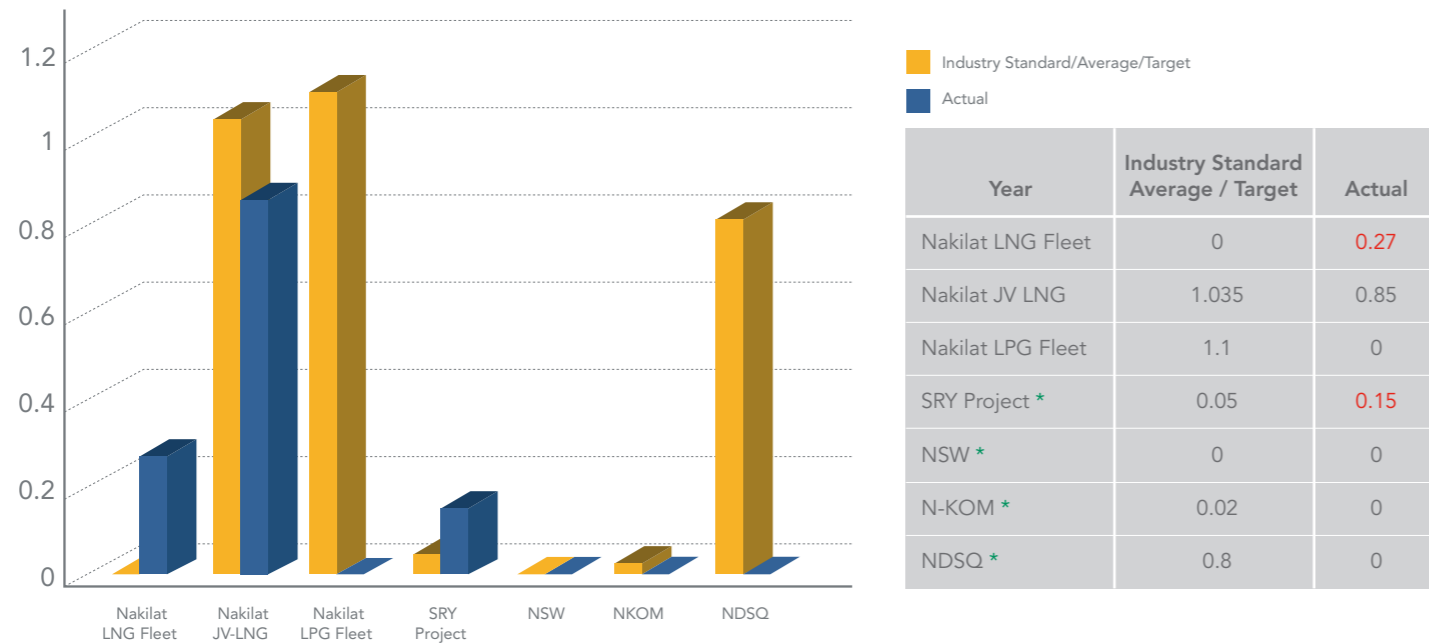
A separate "Risk Assessment" reporting tool allows us to identify and correct hazards before they result in injury or damage. At Nakilat safety is paramount. While no fatality has been recorded during the last seven years of continuous work, we remain committed to maintaining a record of zero fatalities — therefore our safety performance remains a work in progress. Nakilat's performance in terms of injuries shows improvements, but we still intend to foster an even stronger safety culture, where both standards and systems are continuously improved and where each individual takes personal responsibility for creating a safe working environment by reporting the unsafe acts and near misses.

### SHEQ HIGHLIGHTS 2013

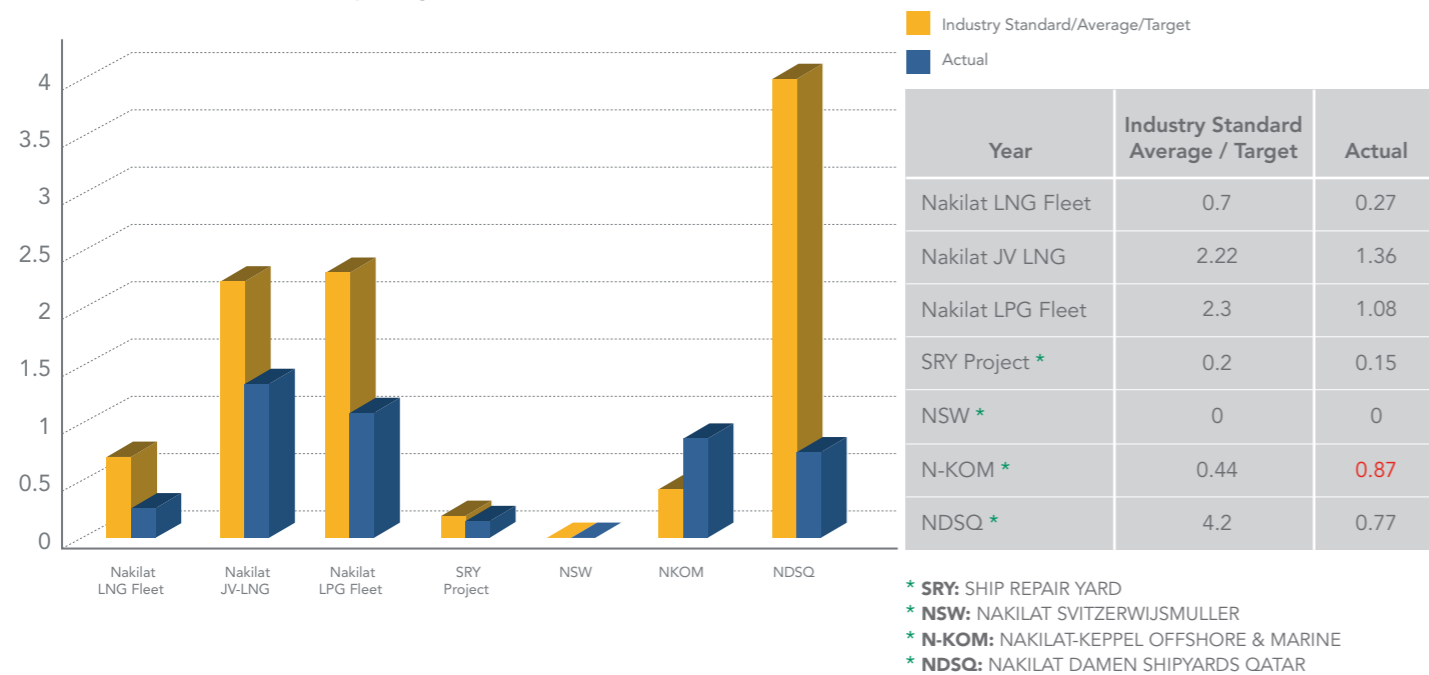
- Nakilat submitted its third annual Sustainability Report and received a Certificate of Appreciation from HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, for its participation in the annual Sustainable Development Industry Report.
- Nakilat LNG and LPG fleets achieved Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) below the industry averages for 2013.
- Nakilat successfully underwent external audits to verify compliance with ISO 9001 and OHSAS 18001 standards as well as ISM certification for the Fleet, and obtained ISO 14001 certification.
- Nakilat participated in regular emergency drills including the nationally significant exercise Eagle Resolve.
- Nakilat provided training and awareness sessions covering significant safety, health and environmental issues for all staff members.
- NDSQ received certificates of approval for the ISO 9001, ISO 14001 and OHSAS 18001 management standards.
- N-KOM was re-certified for the ISO 14001 and OHSAS 18001 management standards.

## SAFETY PERFORMANCE (NAKILAT AND JOINT VENTURES) 2013

### Lost Time Injury Frequency (LTIF)



### Total Recordable Case Frequency (TRCF)



### ENVIRONMENT, HEALTH AND SAFETY REGULATORY COMPLIANCE

Nakilat places a high priority on meeting all applicable environmental, safety and health regulations. We closely track and monitor all applicable regulations and requirements through official sites' announcements, bulletins and service providers. As a part of ISO and OHSAS standards, evaluation of compliance has been established and maintained by Nakilat's SHEQ department.

Our SHEQ audit program follows a risk-based yearly audit plan approved by our Board of Directors. The plan tests for conformance and compliance with our management system and internal policies and procedures. Findings are tracked to closure and reported to Senior Management.

# ECONOMIC IMPACT

- Sound economic management; responsible exploitation of oil and gas; suitable economic diversification.

8.1 Economic Value Generated and Distributed (Dollars in Thousands)			
	2011	2012	2013
Economic Value Generated			
Revenues	825,229	825,441	827,987
Income	228,779	210,360	200,474
Economic Value Distributed			
Interest (Net)	372,830	369,532	350,574
Common Stock Cash Dividends	129,320	152,141	167,355
Governments			
Social and Sports Fund Contribution	5,716	5,255	5,005
Retained/Reinvested	254,957	286,753	294,572





# 2013 SUMMARY HIGHLIGHTS

## FINANCE

Nakilat's wholly owned subsidiary Nakilat Inc. arranges refinancing worth US \$917 million with Qatar National Bank. Nakilat increases its ownership in Maran Nakilat Co. Ltd. as the joint venture signs US \$ 1.33 billion refinancing with Qatar Islamic Bank and Barwa Bank.

Nakilat arranges a US \$160 million bank financing transaction for N-KOM (US \$120 million) and NDSQ (US \$40 million) with Al Khaliji Bank.

Major ratings agencies reaffirm Nakilat's ratings for 2013 with stable outlook.

## FLEET

Expansion of joint venture Maran Nakilat Co. Ltd. grows Nakilat's total LNG fleet in 2014.

Nakilat signs Memorandum of Understanding (MoU) for collaboration in areas of mutual interest with the state energy company of Algeria, Sonatrach.

The second cohort of young Qataris is welcomed onto Nakilat's Marine Cadet Program.

A total of 221 sea-staff are directly employed by Nakilat's wholly-owned subsidiary QGTCMI at the close of 2013.

## NAKILAT-KEPPEL OFFSHORE & MARINE (N-KOM)

N-KOM receives the Ship Repair / Shipyard Award at the Seatrade Middle East and Indian Subcontinent Awards for the second year running.

The successful completion of 200 projects is celebrated at the shipyard.

Over 18,500 tonnes of fabrication work is completed by N-KOM since 2011.

N-KOM is re-certified by the American Petroleum Institute for ISO 14001 and OHSAS 18001.

## NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

HE Dr. Mohammed Bin Saleh Al Sada, the Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, unveils the name of the 140m steel barge Al Ghatroushah, the first project to be completed by NDSQ.

NDSQ signs a contract for the construction of a 69m-long fast luxury vessel, to be built entirely in the State of Qatar.

By the end of 2013, NDSQ has delivered a total of 10 vessels from the 19-vessel order for Mesaieed.

NDSQ signs a contract to build seven vessels for fellow Nakilat joint venture NSW.

NDSQ receives approval for the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 management standards.

## MARINE SERVICES

Nakilat SvitzerWijismuller (NSW) signs a contract with Qatar Petroleum to operate seven new vessels at the Port of Ras Laffan.

In 2013 NSW performs in excess of 13,000 tug jobs. Nakilat Agency Company (NAC) takes over the agency operations for all hydrocarbon vessels at Mesaieed Industrial City.

In 2013 NAC attends to approximately 3,500 vessels and handles around 21,000 crew movements.

The services of Nakilat's Vessel Support Unit (VSU) are expanded to the Port of Mesaieed.



